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**UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF MICHIGAN**

5 In re:) Chapter 11
6)
7 AURORA OIL & GAS CORPORATION,) Bankruptcy Case No.: 09-08254 (SWD)
8)
9 AND)
10)
11 HUDSON PIPELINE & PROCESSING)
12 CO., LLC,)
13 Debtors.) Jointly Administered
14)
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STIPULATION AND ORDER

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PRESENT: HONORABLE SCOTT W. DALES
United States Bankruptcy Judge

19 This Stipulation and Order is entered into as of the 7th day of December, 2009 by
20 and between the State of Utah, Department of Natural Resources Division of Oil, Gas and
21 Mining (the "Division"), Aurora Oil and Gas Corporation (including as it may be reorganized
22 and its successors, "Aurora"), Hudson Pipeline & Processing Co., L.L.C. (including as it may be
23 reorganized and its successors, "Hudson," and together with Aurora, the "Debtors," and together
24 with the Division, the "Parties").

25 WHEREAS, on July 12, 2009 (the "Petition Date"), the Debtors each filed
26 voluntary petitions for relief under Chapter 11 of title 11 of the United States Code (the
27 "Bankruptcy Code"); and

28 WHEREAS, on October 7, 2009, the Debtors filed a proposed disclosure
29 statement (as amended, the "Disclosure Statement") pursuant to Bankruptcy Code § 1125 and a
30 proposed joint plan of reorganization (as amended, the "Plan"); and

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Div. of Oil, Gas & Mining

31 WHEREAS, this Court approved the Disclosure Statement by Order dated
32 November 5, 2009, and scheduled a confirmation hearing for December 10, 2009 (the
33 “Confirmation Hearing”); and

34 WHEREAS, Aurora holds a 100% ownership interest in Celebration Mining
35 Company, which in turn currently owns 25% of the equity interests in Vipont Mine Corporation,
36 which is the owner of the Vipont Mine located in Box Elder County, Utah (together with the
37 surrounding property to which the Debtors had leasehold rights, the “Project Site”); and

38 WHEREAS, Aurora or its predecessors in interest may have served as operator of
39 the Project Site from approximately 1995 to 2007; and

40 WHEREAS, the Division has investigated the Project Site and asserted that the
41 Debtors are obligated to perform certain reclamation actions there (as provided for herein, the
42 “Reclamation”); and

43 WHEREAS, the Division has estimated that the Reclamation costs could be as
44 much as \$18,600; and

45 WHEREAS, on December 22, 2006, Aurora entered into a Small Mine
46 Reclamation Contract with the State of Utah, pursuant to which Aurora posted a surety to the
47 State of Utah in the form of a letter of credit issued by Northwestern Bank in the amount of
48 \$18,600 (the “Letter of Credit”) to cover the estimated costs of the Reclamation; and

49 WHEREAS, on or about September 28, 2009, the Division drew down on the
50 Letter of Credit and is currently holding the proceeds thereof (the “Letter of Credit Proceeds”);
51 and

52 WHEREAS, the Debtors and the Division have engaged in discussions, and the
53 Debtors have agreed to retain a contractor recommended by the Division to undertake the
54 Reclamation; and

55 WHEREAS, the Debtors have now taken steps to complete the Reclamation.

56 NOW THEREFORE, the Court hereby orders as follows:

57 1. Subject to the terms and conditions of this Stipulation and Order, Aurora
58 shall perform or cause to be performed the Reclamation, timely informing the Division of the
59 schedule, plan, and progress of the Reclamation as it is scheduled and performed. The Debtors
60 or their agents will comply with any reasonable time limits and other requests for completion of
61 a plan and accomplishment of the Reclamation as requested by the Division, and shall be subject
62 to the power of the Board of Oil, Gas and Mining to enforce and resolve disputes regarding
63 compliance with the requirements for the Reclamation pursuant to the Utah Mined Land
64 Reclamation Act (Utah Code Title 40, Chapter 8, Sections 1 through 23, (2009)), subject to the
65 recourse limitations contained in ¶¶ 2 and 3 of this Stipulation and Order.

66 2. During the pendency of the Debtors' Reclamation efforts, the Division
67 will hold the Letter of Credit Proceeds as surety for the Debtors' obligations with respect thereto
68 until the Reclamation is complete. In the event the Division reasonably believes that the Debtors
69 have not fully complied with ¶ 1 of this Stipulation and Order, the Division may provide notice
70 (the "Notice") of such perceived failure to comply to the Debtors and their counsel. In the event
71 the Debtors fail to (a) respond to the Notice or (b) further complete the Reclamation within 30
72 days after receipt of the Notice in a manner reasonably satisfactory to the Division, the Division
73 may use the Letter of Credit Proceeds for the purposes of completing the Reclamation without
74 any further hearing or order of this or any other Court.

75 3. Unless the Debtors resume operations at the Project Site in the future, the
76 rights of the Division as set forth herein and the Letter of Credit Proceeds shall be the sole
77 recourse of the Division Releasing Parties (as such term is defined below) for any and all claims
78 that the Division Releasing Parties have or may have against any of the Debtor Released Parties
79 (as such term is defined below) or their respective assets.

80 4. Promptly upon the completion of the Reclamation reasonably satisfactory
81 to the Division (following inspection of the Project Site), the Division shall return the Letter of
82 Credit Proceeds to the Debtors.

83 5. The Debtors or their agents, on behalf of the Debtors, or the Division in
84 the event the Debtors fail to complete their Reclamation obligations under ¶ 1, may sell or
85 otherwise dispose of any equipment or buildings located on the Project Site free and clear of any
86 liens or claims of the Division. At the Debtors' discretion, any proceeds of such sales may be
87 used by the Debtors to pay for the costs of the Reclamation.

88 6. *Upon and as of the date hereof, except with respect to the rights to the*
89 *Letter of Credit Proceeds as set forth in ¶ 2 above, the Division, for itself and its affiliates,*
90 *subsidiaries, successors and predecessors-in-interest, agents, officers, employees, advisors,*
91 *attorneys, accountants, representatives, and assigns (collectively, the "Division Releasing*
92 *Parties"), hereby releases and forever discharges the Debtors, their estates, affiliates,*
93 *subsidiaries, successors and predecessors-in-interest, heirs, agents, members, managers,*
94 *shareholders, directors, officers, employees, trustees, receivers, beneficiaries, advisors,*
95 *attorneys, accountants, representatives, and assigns (collectively, the "Debtor Released*
96 *Parties") from each and every right, claim, debt, cause of action, demand, suit for damages,*
97 *liabilities, legal fees, acts, or rights of action of any nature whatsoever, whether asserted or*

unasserted, known or unknown, that the Division Releasing Parties had, have, or may have against the Debtor Released Parties from the beginning of time, in each case, to the extent related to the Debtors' obligations with respect to the Project Site. Notwithstanding the foregoing, the Division retains all of its rights to assert any future claims against the Debtors in the event that the Debtors resume operations at the Project Site at any time hereafter, provided, however, that any such claims would be limited solely with respect to any future operations.

7. This Stipulation and Order may be executed in counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument.

8. This Stipulation and Order is subject to the prior approval of this Court. This Court shall have sole and exclusive jurisdiction to construe, interpret, and enforce the terms of this Stipulation and Order.

9. This Stipulation and Order shall be binding upon, and shall inure to the benefit of, the Parties and their respective heirs, executors, administrators, successors, and assigns.

10. Each Party hereto represents and warrants that it has carefully read this Stipulation and Order in its entirety; that it has had an adequate opportunity to consider it and to consult with any advisor of its choice about it; that it understands all of its terms; that it has consulted with independent counsel of its choice, who answered to its satisfaction all questions it had regarding this Stipulation and Order; that its undersigned representative is duly authorized to enter into this Stipulation and Order, subject to the approval of this Court in the case of the Debtors; that it voluntarily assents to all of the terms and conditions contained herein; that by signing this Stipulation and Order, it is bound by all of the terms and conditions contained herein

(subject to the approval of this Court in the case of the Debtors); and that it is signing this Stipulation and Order voluntarily and of its own free will.

11. It is expressly understood and agreed that this Stipulation and Order may not be altered, amended, waived, modified, or otherwise changed in any respect whatsoever with the sole exception of by a writing duly executed by an authorized representative of each of the Parties. The Parties further acknowledge and agree that they will make no claim at any time or place that this Stipulation and Order has been orally supplemented, modified, or altered in any respect whatsoever. No failure on the part of any Party to this Stipulation and Order to exercise, and no delay on its part in exercising, any right or remedy under this Stipulation and Order, will operate as a waiver thereof, nor will any single or partial exercise of any right or remedy preclude any other or further exercise thereof or the exercise of any other right or remedy.

12. Upon the Court's approval of this Stipulation and Order, the Debtors are authorized and empowered to take any necessary actions to implement and effectuate the terms of this Stipulation and Order, or to amend same, without the need for any other or further order of the Court.

13. The terms set forth in this Stipulation and Order are part of a comprehensive compromise, and each element is an integral aspect of the agreed settlement and is non-severable.

14. This Court shall retain jurisdiction over the Debtors and the Division with respect to the subject matter of this Stipulation and Order, including with respect to any determination made as to whether the Reclamation has been completed, provided such determination shall not preclude or diminish the authority of the Board of Oil, Gas and Mining to administer and interpret the Utah Mined Land Reclamation Act (Utah Code Title 40, Chapter 8,

Sections 1 through 23, (2009)), subject to the recourse limitations contained in ¶¶ 2 and 3 of this Stipulation and Order. This Stipulation and Order shall be construed and interpreted in accordance with the laws of the State of Michigan, without regard to its principles of conflicts of laws.

IN WITNESS WHEREOF, the Parties hereto have caused this Stipulation and Order to be executed as of the day and year first above written.

AURORA OIL & GAS CORPORATION

By: _____
Name: Sanford R. Edlein
Title: Chief Restructuring Officer

**HUDSON PIPELINE & PROCESSING CO.,
L.L.C.**

By: _____
Name: Sanford R. Edlein
Title: Chief Restructuring Officer

UTAH DIVISION OF OIL, GAS AND MINING

By: _____
Name: Steve Alder
Title: Assistant Utah Attorney General

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SO ORDERED, AS OF THE DATE SET FORTH BELOW:

Dated: Grand Rapids, Michigan
December __, 2009

UNITED STATES BANKRUPTCY JUDGE

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From: Steve Alder
To: Dana Dean; Paul Baker
Date: 12/7/2009 6:01 PM
Subject: Fwd: RE: Aurora/Utah Draft proposed stipulation
Attachments: Aurora - Utah stipulation_v10.DOC

For your information. It looks like we can move forward with Aurora to get a reclamation plan in place and schedule the work.

ssteve

>>> "Kinzer, James" <JKinzer@cahill.com> 12/7/2009 5:14 PM >>>
Steve,

The stipulation has been approved by our lenders. I will file the attached (only change from prior version distributed to you is the date), and will tell Aurora to coordinate reclamation.

Thank you for all of your help,
James

James B. Kinzer
Cahill Gordon & Reindel LLP|80 Pine Street | New York, NY 10005
Phone: (212) 701-3153 | Fax: (212) 378-2538 | jkinzer@cahill.com

From: Steve Alder [mailto:STEVEALDER@utah.gov]
Sent: Wednesday, December 02, 2009 7:22 PM
To: Kinzer, James
Cc: Levitin, Joel H.; Gordon, Stephen J.; Iris Linder; Dana Dean; Paul Baker
Subject: RE: Aurora/Utah Draft proposed stipulation

Mr. Kinzer,

The Division can accept those changes. Once this stipulation has been approved please have Aurora coordinate its planning work for the reclamation with Paul Baker and Dana Dean of the Division.

Thanks.

steve

Steve Alder
Assistant Utah Attorney General
1596 West North Temple, #300
Salt Lake City, Utah 84116
tel (801) 538-5348
stevealder@utah.gov

>>> "Kinzer, James" <JKinzer@cahill.com> 12/2/2009 12:50 PM >>>

Steve,

We received a few comments to the stipulation from our lenders (see attached). Please let me know if these are acceptable, and whether you have any questions. We are still awaiting approval to have this executed, and when I hear more, I'll let you know.

Thanks,
James

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From: Steve Alder [mailto:STEVEALDER@utah.gov]
Sent: Monday, November 30, 2009 6:09 PM
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Subject: RE: Aurora/Utah Draft proposed stipulation

Mr. James Kinzer,
Thank you. That will work for me. Please advise as to when and how to execute and deliver our copy to you.

stev

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Sent: Monday, November 30, 2009 3:07 PM
To: 'Steve Alder'
Cc: Levitin, Joel H.; Iris Linder; Dana Dean; Paul Baker; Gordon, Stephen J.
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To: Gordon, Stephen J.
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Mr. Gordon and others,

I hope I am not making this too difficult. However, I think it is important that we are clear about the rights of either the Debtor or Division (depending on who ends up doing the work), to recover the value of any scrap materials as part of the work of Reclamation at the project Site .

Also, on more careful reading today, I am concerned about submitting to the jurisdiction of the Bankruptcy court. I feel I must reserve the authority of the State of Utah to administer its laws regarding the required reclamation. I have attached two alternative versions. I would prefer to just eliminate the reference to the jurisdiction of the Bankruptcy Court over the Division (see revised 2). In the alternative, I have set out a version (revised 1) with a reservation of the rights of the State Board of Oil, Gas and Mining to enforce Utah's Land Mined Reclamation Act.

Please let me know if you can live with either of these or if you have other language to propose. It is rather quick and I will appreciate any editing or clarifications. Feel free to call my direct line 801 538 5348.

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>>> "Gordon, Stephen J." <SGordon@cahill.com> 11/25/2009 3:12 PM >>>

<<vfj07_DOC>>

Steve, following up on your discussions with Iris Linder, attached is a draft of a proposed stipulation between Aurora and Utah regarding the Vipoint Mine (which draft is subject to Rule 408 of the Federal Rules of Evidence). Please note that this has not yet been agreed to by the primary creditor parties in Aurora's bankruptcy, but we wanted to send you this draft in the hope of furthering our ongoing discussions.

Please note that I will be out of the office early next week on jury duty, so feel free to direct any comments or discussions to the other parties on this email (Iris, Joel, and/or James).

Thanks and have a great Thanksgiving.

The information contained in this e-mail message may be privileged and confidential information and is intended only for the use of the individual and/or entity identified in the alias address of this message. If the reader of this message is not the intended recipient, or an employee or agent responsible to deliver it to the intended recipient, you are hereby requested not to distribute or copy this communication. If you have received this communication in error, please notify us immediately by telephone or return e-mail and delete the original message from your system. Thank you.

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From: Steve Alder
To: James Kinzer
Date: 12/7/2009 6:17 PM
Subject: RE: Aurora/Utah Draft proposed stipulation

CC: Dana Dean; Paul Baker

Mr. Kinzer,

Thank you for getting this resolved. Do you want me to mail an original to you or will you send a hard copy to me? I could send you a PDF of the signed version. Let me know. I have advised the Division to plan on working with Aurora personnel to plan for the reclamation work after this is final. When do you expect that will happen? Are there other time constraints related to the bankruptcy proceedings?

I imagine the planning can occur this winter and early spring, and that it will be late spring at the earliest before equipment can get to the site. (You should actually rely on the Division personnel Paul Baker or Dana Dean for this information.) I appreciate working this out and getting an agreement to take care of reclaiming the site.

steve

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